

# PH&N Inflation-Linked Bond Fund

## Investment Objective

The fundamental investment objective of the Fund is to generate interest income that is hedged against inflation by investing primarily in real return bonds and inflation-linked bonds issued or guaranteed by Canadian and foreign governments and corporations.

## Fund Details

Series	Load Structure	Currency	Fund Code
F	No Load	CAD	RBF5650

Inception Date	June 2009
Total Fund Assets \$Mil	95.5
Series F NAV \$	9.04
Series F MER %	0.37
Benchmark	FTSE TMX Canada Real Return Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

Sales Status	Open
Min. Investment \$	500
Subsequent Investment \$	25

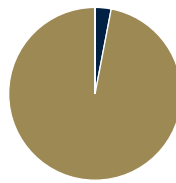
Fund Category	Canadian Inflation Protected Fixed Income
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Management Company	RBC Global Asset Management Inc.
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Web Site	www.rbcgam.com
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## Portfolio Analysis as of March 31, 2018

### Asset Mix



	% Assets
Cash	3.0
Fixed Income	97.0
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

### Top 25 Holdings

	% Assets
Canada Govt 0.5% 01-12-2050	13.1
Canada Govt 4.25% 01-12-2031	11.8
Canada Govt 4.25% 01-12-2026	11.4
Canada Govt 2% 01-12-2041	11.3
Quebec Prov Cda 4.5% 01-12-2021	10.6
Canada Govt 4.25% 01-12-2044	9.1
Canada Govt 4.25% 01-12-2047	8.5
Canada Govt 4.25% 01-12-2021	6.9
Canada Govt 3% 01-12-2036	4.5
Ontario Prov Cda 2.42388% 01-12-2036	4.1
Quebec Prov Cda 4.25% 01-12-2031	2.6
Quebec Prov Cda Med Term 4.5% 01-12-2026	2.2
US Treasury Bond 15-02-2048	1.0
Canada Govt 2.75% 01-12-2048	0.0
Canada Govt 3.5% 01-12-2045	0.0
Canada Govt 0.75% 01-09-2021	0.0
Canada Govt 1.5% 01-06-2026	0.0
Total % of Top 25 Holdings	97.0
Total Number of Stock Holdings	0
Total Number of Bond Holdings	17
Total Number of Other Holdings	1
<b>Total Number of Holdings</b>	<b>18</b>

### Fixed Income Breakdown

	% Fixed Income
Government Bonds	95.9
Corporate Bonds	0.0
Other Bonds	1.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	3.1
Asset Backed Securities	0.0

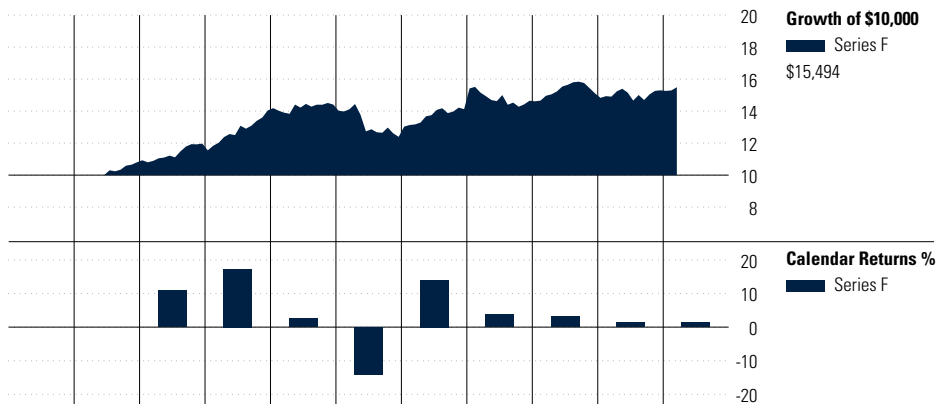
### Bond Rating

	%	Term to Maturity	%
Cash / Cash Equiv.	3.1	Under 1 year	3.1
AAA	77.3	1 - 5 Yrs	17.6
AA	19.6	5 - 10 Yrs	13.6
A	0.0	Over 10 Yrs	65.7
BBB	0.0		
Below BBB	0.0	Avg. Term to maturity (Yrs)	17.5
Mortgages	—	Duration (Yrs)	14.9
NR/NA	0.0	Yield to Maturity	2.2

### Geographic Allocations

	% Assets
Canada	99.0
United States	1.0
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

## Performance Analysis as of March 31, 2018



2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	Fund Quartile
—	—	10.9	17.3	2.6	-14.0	14.0	3.7	3.1	1.3	1.3	1st
—	—	1st	2nd	2nd	3rd	1st	1st	1st	1st	1st	

1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
1.3	1.3	5.4	3.9	0.7	1.9	—	5.2	Fund
3rd	1st	1st	1st	1st	1st	—	—	Quartile
26	26	26	25	21	17	9	—	No. of Funds in Category

# PH&N Inflation-Linked Bond Fund

## Management Overview

### Manager Bios

#### PH&N Fixed Income Team

With one of the largest bond desks in Canada consisting of over 30 investment professionals, Phillips, Hager & North Investment Management (PH&N IM) has been managing bonds since 1970 and currently manages fixed income portfolios according to strict quality and diversification guidelines. PH&N IM's strengths as a bond manager are directly related to its depth of resources – both people and technology – dedicated to the management of fixed income portfolios.

### Performance Analysis Cont'd as of March 31, 2018

Distributions (\$)/Unit	YTD*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Distributions	0.06	2.46	0.20	0.27	0.68	0.61	0.54	0.48	0.57	0.06	—
Interest	0.06	0.30	0.20	0.27	0.68	0.61	0.54	0.48	0.33	0.05	—
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	—	—	—	—	—	—	0.24	0.01	—
Return Of Capital	—	2.16	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	1-2012	22.9	6-2012	12.5	2-2015	7.5	—	—
Worst	12-2013	-14.0	2-2018	-0.5	7-2017	0.3	—	—
Average		5.0		4.2		3.8		—
No. of Periods		94		70		46		—
Pct. Positive		73.4		94.3		100.0		—

\* Distributions are characterized into income type at year-end.

### Quarterly Commentary as at March 31, 2018

Long-term real-return bond (RRB) yields ended the first quarter down a modest 0.05%. Bond prices move in the opposite direction of yields; therefore, the Fund earned modestly positive absolute returns. Strong wage data in the United States and further policy moves by the Trump administration sparked expectations for higher U.S. inflation and contributed to an uptick in market volatility. In contrast, the Bank of Canada (BoC) struck a more cautious tone after raising its overnight lending rate in January. Headline inflation (consumer price index (CPI)), to which the principal amount of the bonds in the Fund are linked, ended February at 2.2% on a year-over-year basis. At this level, CPI continues to trend in line with the BoC's target range of between 1% and 3%. For investors in the Fund, real purchasing power will be maintained over the long term regardless of the magnitude of

actual inflation, thanks to the linkage to consumer prices. The tax treatment of this linkage can result in high levels of taxable income. Investors should discuss the potential tax impacts of owning RRBs in a taxable account with their advisor.

The Fund earned returns approximately in line with those of its benchmark, benefiting from correctly anticipating changes in real yields over the quarter. This was offset by underperformance from tactical positions intended to take advantage of price inefficiencies among various maturities of RRBs. The Fund, with a real yield at approximately 0.5% (still low by historical standards), remains susceptible to negative performance should real rates move higher.

## PH&N Inflation-Linked Bond Fund

### Disclosure

RBC Funds, BlueBay Funds, PH&N Funds and RBC Corporate Class Funds are offered by RBC Global Asset Management Inc. and distributed through authorized dealers.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus or Fund Facts document before investing. Except as otherwise noted, the indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual fund securities are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment in the fund will be returned to you. The value of mutual funds change frequently and past performance may not be repeated.

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MER (%) for RBC Funds, PH&N Funds and BlueBay Funds is based on actual expenses for the full year period, January 1 to December 31, 2017, expressed on an annualized basis.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the half-year period, April 1, to September 30, 2017, expressed on an annualized basis.

Series H and Series I are not available for purchase by new investors. Existing investors who hold Series H or Series I units can continue to make additional investments into the same series of the funds they hold.

Graphs are only used to illustrate the effects of the compound growth rate and do not reflect future values of any fund or returns on investment of any fund.

The fund profile is provided for informational purposes only. Particular investments and/or trading strategies should be evaluated relative to each individual's investment objectives. The information contained in the fund profile is not, and should not be construed as, investment or tax advice. You should not act or rely on the information contained in the fund profile without seeking the advice of an appropriate professional advisor.

Quartile rankings are determined by Morningstar Research Inc., an independent research firm, based on categories maintained by the Canadian Investment Funds Standards Committee (CIFSC). Quartile rankings are comparisons of the performance of a fund to other funds in a particular category and are subject to change monthly. The quartiles divide the data into four equal segments expressed in terms of rank (1, 2, 3 or 4). This is the Morningstar quartile ranking of Series A and F units of the Fund as of March 31, 2018.

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